

Energy Committee - Tuesday, Room 1B at 1:00pm

AAP THE TERMINATION OF NONREGULATED UTILITIES DURING THE WINTER HEATING SEASON ("no shut off bill") –

*General Assembly
January Session, 2009*

*Proposed Bill No. 6001
LCO No. 984*

Referred to Committee on Energy and Technology

Testimony before the Energy Committee

February 10, 2009

**By Stephen G. Rosentel, President Leahy's Fuels, Inc. Danbury, CT.
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My name is Steve Rosentel and I am the President of Leahy's Fuels, Inc. in Danbury, CT and a member of the boards of both the ICPA (Independent CT Petroleum Association) and PGANE (Propane Gas Association of New England.) I am here to testify in opposition to Raised Bill No. 6001 the proposed "no shut off bill".

This proposed legislation is not only unfair to private companies that rely on the cash flow from their customers to continue to purchase product to service their entire customer base, but is also dangerous to those in our communities who can least afford to pay.

Let me explain-

Our suppliers require payment for product in no more than 10 days. This puts significant cash flow pressures on this industry that typically has been covered by banking arrangements such as lines of credit. This season the pressures have been immense due to the need to truck propane from as far away as Texas. There have been several logistical problems with our supply system that includes the Selkirk, NY pipeline terminal now only being open 4 days a week. Lines at this terminal have exceeded 16 hours and demurrage charges have run in excess of \$1,000 per load. Dealers are buying "spot" loads that run at times \$1.00 per gallon more with the added freight cost.

When we incur a bad debt it is a cost of doing business. We need to aggressively manage this cost in order to survive. If the public was aware that they did not have to pay during the winter and they could potentially change companies for the next season, our bad debt expense would skyrocket!

I am also a member of the Board of Trustees of Union Savings Bank. I would expect that any bank would have to seriously consider whether it would be prudent to renew a line of credit used to finance receivables where the company has lost the biggest leverage they have to collect past due accounts. Many customers have a history of only catching up their past balances when it gets cold. How will any energy supplier be able to borrow money in this financial environment if the supplier cannot be assured of payment from those to whom it sells a product? Fuel dealers would not survive just like the local supermarket could not survive if they were not able to collect from a customer who just left with their weekly groceries.

A natural gas utility that is subject to the no winter shut-off rule has two distinct advantages- the customer does not have the ability to change companies next winter without paying the bill. They could do this in the fuel oil or propane industries where there are many competing companies. If the utility does incur a bad debt, the expense is recoverable as an expense that is rate-based and approved by the DPUC when they go for their next increase.

The fuel oil and propane industries are full of small family-owned businesses with no guarantee of profit or even survival. We are not "too big to fail" and eligible for a government bailout. Nor do we seek this. What we do seek is to allow us to run our business in a prudent way that holds the individual responsible. We have seen many times when a customer will not be responsive or even apply for fuel assistance until they are faced with the prospect of being cold.

From the low-income customer's point of view:

Plain and simple, they will not be able to find a supplier willing to accept them as a customer. They would be required to put up a significant deposit (perhaps \$1,000 to \$1,600) to cover their credit risk. They are not likely to be able to come up with the deposit and it would not be prudent for the dealer to accept this open ended credit risk. The credit risk could easily double if we were to see the dramatic price spikes of the past year. Credit limits now commonly used would go out the window.

I would be happy to take any questions you may have.